

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Polly Ann Trailway Mgmt. Council	County Oakland
Audit Date September 30, 2004	Opinion Date August 26, 2005	Date Accountant Report Submitted to State: October 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

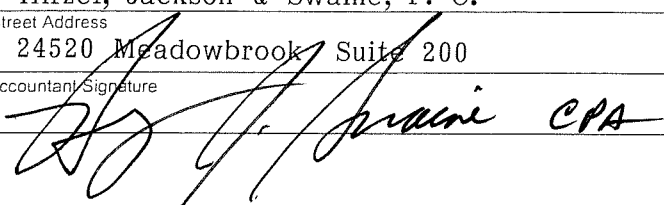
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		X	
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Hirzel, Jackson & Swaine, P. C.			
Street Address 24520 Meadowbrook Suite 200		City Novi	State MI
Accountant Signature 		ZIP 48375	Date

24520 MEADOWBROOK - SUITE 200 - NOVI, MI 48375 - (248) 442-9911
Fax (248) 442-9923

Board of Directors
Polly Ann Trailway Management Council, Inc.
P. O. Box 112
Leonard, Michigan 48367

August 26, 2005

Dear Board Members:

In planning and performing our audit of the financial statements of Polly Ann Trailway Management Council, Inc. (PATMC) for the year ended September 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

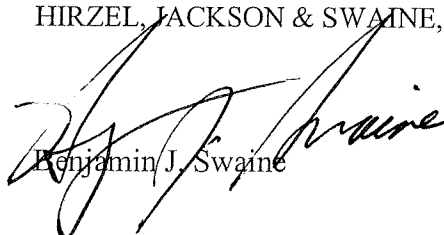
However during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 26, 2005 on the financial statements of Polly Ann Trailway Management Council, Inc. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

- Invoices should be cancelled by marking the date paid and the number of the check used to pay the invoice.
- Approval of invoices by the board needs to be specific as to vendor and amount. We noted a number of invoices that were paid but not approved in the minutes. Lynn needs to receive a copy of the board approved sheet showing the check numbers used to pay the invoice, this detail should also become a permanent part of the minutes.

We would be pleased to discuss these comments in more detail with the Board of Directors or any committee.

Sincerely,

HIRZEL, JACKSON & SWAINE, P. C.



Benjamin J. Swaine

POLLY ANN TRILWAY MANAGEMENT COUNCIL, INC.

FINANCIAL STATEMENTS
with
INDEPENDENT ACCOUNTANTS' REPORT

YEAR ENDED SEPTEMBER 30, 2004

CONTENTS

	<u>Page</u>
Independent Accountants' Report	1
Financial statements:	
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Notes to financial statements	5-7
Additional information:	
Schedule of functional expenses	8

HIRZEL, JACKSON & SWAINE, P.C.

Certified Public Accountants

24520 MEADOWBROOK - SUITE 200 - NOVI, MI 48375 - (248) 442-9911
Fax (248) 442-9923

INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors
Polly Ann Trailway Management Council, Inc.
Leonard, Michigan

We have audited the accompanying statement of financial position of Polly Ann Trailway Management Council, Inc. (a nonprofit corporation), as of September 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Polly Ann Trailway Management Council, Inc. as of September 30, 2004, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Hirzel, Jackson & Swaine

August 26, 2005

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2004

ASSETS

Current assets:

Cash	\$ 605,247
Prepaid expenses	<u>1,109</u>

Total current assets	<u>606,356</u>
----------------------	----------------

Property and equipment, net of accumulated depreciation of \$3,905	<u>27,723</u>
--	---------------

	<u>\$ 634,079</u>
--	-------------------

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ <u>2,229</u>
---------------------------------------	-----------------

Net Assets:

Unrestricted	132,850
Temporarily restricted	<u>499,000</u>

Total net assets	<u>631,850</u>
------------------	----------------

Total liabilities and net assets	<u>\$ 634,079</u>
----------------------------------	-------------------

The accompanying notes are an integral part
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public Support:			
Contributions	\$ 25,145	\$ 9,000	\$ 34,145
Municipal support	58,500	-	58,500
Donated facilities	2,725	-	2,725
Membership dues	75	-	75
Events	3,921	-	3,921
Interest income	<u>6,475</u>	<u>-</u>	<u>6,475</u>
Total public support	<u>96,841</u>	<u>9,000</u>	<u>105,841</u>
Functional expenses:			
Program services	36,511	-	36,511
Supporting services:			
Management and general expenses	28,516	-	28,516
Fund-raising expenses	<u>6,844</u>	<u>-</u>	<u>6,844</u>
Total functional expenses	<u>71,871</u>	<u>-</u>	<u>71,871</u>
Change in net assets	24,970	9,000	33,970
Balance at beginning of year before prior period adjustment	307,880	290,000	597,880
Prior period adjustment	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
Balance at beginning of year as adjusted	<u>107,880</u>	<u>490,000</u>	<u>597,880</u>
Balance at end of year	<u>\$ 132,850</u>	<u>\$ 499,000</u>	<u>\$ 631,850</u>

The accompanying notes are an integral part
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2004

Cash flows provided by operating activities:	
Change in net assets:	\$ 33,970
Adjustments to reconcile cash flows provided by operating activities to net cash:	
Depreciation	3,136
Decrease in grants receivable	8,475
Decrease in prepaid expenses	383
Decrease in accounts payable and accrued expenses	<u>(1,896)</u>
Net cash flows provided by operating activities	<u>44,068</u>
Increase in cash and cash equivalents	44,068
Cash and cash equivalents at beginning of year	<u>561,179</u>
Cash and cash equivalents at end of year	<u>\$ 605,247</u>

The accompanying notes are an integral part
of the financial statements.

POLLY ANN TRILWAY MANAGEMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

1. Summary of accounting policies

This summary of significant accounting policies of Polly Ann Trailway Management Council, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Program

Polly Ann Trailway Management Council, Inc. (the "Organization") is a not-for-profit corporation organized to develop and maintain a recreational trail on land owned by the Michigan Department of Natural Resources in Oakland County, Michigan. The Organization was created in 1997 under an agreement between five governmental entities in Oakland County, each represented on the governing council of the Organization.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Recognition of donor restricted contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of accounting policies, (continued)

Property and equipment

Property and equipment purchased by the Organization is carried on its books at cost. Expenditures for major betterments and additions are charged to the equipment accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

Depreciation of equipment is provided under the straight-line method over the estimated useful lives of five or ten years.

Financial statement presentation and contributions

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization has received contributions with donor-imposed restrictions that would result in temporarily restricted net assets. No contributions were received by the organization that would result in permanently restricted net assets.

Income taxes

The Organization is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws.

2. Credit risk

The Organization does not believe it is exposed to any significant credit risks in cash and short-term investments.

3. Donated services

No amounts have been reflected in the statements for volunteer services. However, volunteers have donated significant amounts of time to the Organization's services during the year ended September 30, 2004.

4. Temporarily restricted net assets

During the year ending September 30, 2003, the Organization received a \$240,000 grant from the Community Foundation for Southeastern Michigan (CFSEM). The monies are to be used as partial support for the completion of Phase I development, which includes the surfacing of the trail and bridge construction.

If the project cannot be completed under the terms, and within 36 months of the date of the award, the monies are to be returned to the funder. On September 2, 2004 the CFSEM granted and extension and stated in their resolution that:

4. Temporarily restricted net assets, continued

“RESOLVED, that grant #2001-1141 to the Polly Ann Trailway Management Council for support for the completion of Phase I development, which includes the surfacing of the trail and bridge construction, is amended as follows:

Construction of the pathway must be completed by September 13, 2005.”

Temporarily restricted net assets are available as of September 30, 2004 for the following purposes:

Community Foundation, trail development	\$ 240,000
Chrysler Foundation, trail development	250,000
Tri-County Bicycle Foundation, trail spur	<u>9,000</u>
	<u>\$ 499,000</u>

5. Related party transaction

During the year ended September 30, 2004, the organization utilized office space owned by the Village of Leonard. The Village of Leonard is a governing council member of the organization. The organization has waived the Village of Leonard’s municipal support of \$1,175 in lieu of office rent. In addition, the Village of Leonard is donating office space in the amount of \$2,725 based upon the estimated fair market value of the office space.

6. Subsequent event

On July 13, 2005, Polly Ann Trailway Management Council, Inc. (Council) entered into an agreement with Road Commission for Oakland County (RCOC) to construct improvements to the trailway. The Council’s responsibilities under the agreement include meeting the match requirements, funding any unreimbursed or cost overruns of the project and maintaining the trailway once construction is complete. The Council paid the matching funds of \$527,933 to the RCOC on July 16, 2005 as specified in the agreement.

7. Prior period adjustment

Beginning of the year unrestricted net assets in the accompanying financial statements have been restated to correct an error in previous years of classifying restricted donations as unrestricted. The effect of this restatement was to increase restricted net assets at September 30, 2003 by \$200,000 and decrease unrestricted net assets at September 30, 2003 by the same amount.

ADDITIONAL INFORMATION

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2004

	Program Services	Supporting Services		Total
		Management and General	Fund-raising	
Trail development	\$ 17,112	\$ -	\$ -	\$ 17,112
Miscellaneous trail expenses	2,589	-	-	2,589
Management fees	12,520	12,520	6,260	31,300
Advertising	-	2,483	-	2,483
Professional fees	-	6,090	-	6,090
Events	-	-	584	584
Rent	1,560	2,340	-	3,900
Telephone	-	372	-	372
Insurance	-	3,044	-	3,044
Office supplies and expenses	-	1,261	-	1,261
Depreciation	<u>2,730</u>	<u>406</u>	<u>-</u>	<u>3,136</u>
	<u>\$ 36,511</u>	<u>\$ 28,516</u>	<u>\$ 6,844</u>	<u>\$ 71,871</u>

The accompanying independent accountants' report
should be read with this information.